

Message Text

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PAGE 01 TRIPOL 00430 171303Z

41

ACTION AF-18

INFO OCT-01 EUR-25 NEA-10 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04

PRS-01 USIA-15 DRC-01 AECE-00 /202 W

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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC PRIORITY 1146

INFO USINT ALGIERS

AMEMBASSY BONN

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TUNIS

AMEMBASSY VALLETTA

C O N F I D E N T I A L TRIPOLI 0430

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: LARG'S NEW AGREEMENTS WITH ESSO AND MOBIL

REF: TRIPOLI 392 (NOTAL)

1. LIBYAN GOVT ANNOUNCED CONCLUSION APR 16 OF NEW PARTICIPATION AND EXPLORATION AGREEMENTS WITH ESSO AND MOBIL. NEW AGREEMENTS ENABLE THESE TWO AMERICAN COMPANIES TO TURN OVER NEW PAGE IN THEIR LIBYAN OPERATIONS. IN RETURN FOR SWALLOWING 51 PERCENT NATIONALIZATION, COMPANIES HOPEFULLY LOOK FORWARD TO SMOOTHER, MORE BENEFICIAL RELATIONSHIP WITH LARG. THEY SHOULD NOW HAVE MORE NORMAL DAY-TO-DAY COOPERATION FROM LIBYAN OFFICIALDOM.

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PAGE 02 TRIPOL 00430 171303Z

SATISFACTORY COMPENSATION HAS BEEN DECIDED UPON AND

REASONABLE ARRANGEMENTS FOR PROMPT PAYMENTS HAVE BEEN MADE. ON EXPLORATION SIDE, COMPANIES HAVE GOOD PROSPECTS FOR FUTURE DEVELOPMENT OF VAST OFFSHORE AREAS.

2. ARRANGEMENTS FOR EXPLORATION ARE COVERED BY "AGREEMENTS OF PRINCIPLES." IN EXPLAINING THIS TERM TO US ESSO REPRESENTATIVE SAID COMPANY REGARDS IT AS "MEMORANDUM OF INTENT," NOT AS "HEADS OF AGREEMENT." REFERENCE ABOVE TO VAST OFFSHORE AREAS REALLY APPLIES ONLY TO ESSO. LATTER'S CONCESSION WAS SAID TO BE OVER 150,000 SQUARE KILOMETERS OFF THE COAST BETWEEN TRIPOLI AND MARSA AL-BREGA, EXTENDING ABOUT 150 MILES SEAWARD BUT NOT BEGINNING AT COASTLINE.

3. LARG IS SATISFIED WITH NEW AGREEMENT WHICH IS BEING WIDELY PUBLICIZED AS MAJOR STEP IN IMPLEMENTING LIBYA'S NEW OIL EXPLORATION POLICY. MINISTRY OF INFORMATION HAS ANNOUNCED THAT NEW CONTRACTS FOR EXPLORATION REQUIRING TOTAL EXPENDITURE OF \$410 MILLION HAVE BEEN SIGNED THIS YEAR. ITALIAN AND FRENCH INTERESTS ARE ALSO INVOLVED IN OFFSHORE AGREEMENTS, AND GERMAN COMPANY IS EXPECTED TO JOIN GROUP SOON.

4. ESSO AND MOBIL ARE ISSUING THEIR OWN ANNOUNCEMENTS, BUT HAVE ASSURED LARG THEY WILL FOLLOW LIBYAN WISHES ON EXTENT OF DETAILS TO BE REVEALED PUBLICLY.

5. APPARENTLY SMALL PART OF ESSO'S INTENDED AREAS OF EXPLORATION IS IN DEEP SEA AREA WHICH COULD BE IN DISPUTE BETWEEN LIBYA AND MALTA. PROBABLY ALL OR MOST OTHER COMPANIES WITH OFFSHORE CONCESSIONS WOULD BE INVOLVED IN SAME ISSUE. IT IS OUR UNDERSTANDING THAT OIL TECHNOLOGY IS NOT YET ADVANCED ENOUGH TO PERMIT COMMERCIAL EXPLORATION OF THESE AREAS.
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